FISCAL NOTE

SB 2732 - HB 2748

February 5, 2000

SUMMARY OF BILL: Amends the retirement law by increasing the benefit improvement from 5% to 10% effective July 1, 2000 provided the TCRS Board of Trustees determines that the recommended employer contribution rate for state employees and teachers is less than the rate in effect on June 30, 1999. The excess appropriation, if any, contained in the appropriations act resulting from the reduction in annual contribution requirements for the fiscal year ending June 30, 2000 would be utilized to provide the increase. An increase in the benefit improvement would not be given if the excess appropriations are insufficient to fund at least $1/5^{th}$ of the liability for providing the increase. If the excess appropriations are sufficient to fund $1/5^{th}$ of the liability but insufficient to fund the entire benefit improvement increase, then an increase in the benefit improvement would be made.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $13,518,300 - $67,591,500 Annual Amortized Cost

Increase Local Govt. Expenditures - $5,115,200 - $25,576,000 Annual Amortized Cost

Other Fiscal Impact – Increase Federal/Other Expenditures: $1,948,500 – $9,742,500 Annual Amortized Cost

Estimate assumes:

- Total lump sum pension liability of $211,030,000 - $1,055,150,000
- At least one-fifth ($1/5^{th}$) of such liability must have sufficient appropriations available to grant any increase
- A range is shown since the 5% improvement is subject to prorated adjustment if the contribution rate decline is insufficient to fund the entire improvement
- Annual amortization cost assumes a 20-year lump sum liability
- K-12 teachers assume a 60%-40% ratio between state and local funding

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport

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James A. Davenport, Executive Director

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